



A STUDY ON DETERMINANTS OF BOND YIELD IN MALAYSIA

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Submitted in Partial Fulfillment of the
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FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

MELAKA



BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE

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UNIVERSITI TEKNOLOGI MARA KAMPUS BANDARAYA MELAKA, MELAKA

“DECLARATION OF ORIGINAL WORK”

I, NURUL JANNAH BINTI ARIFIN (950525105972) and NURUL ATIKAH BINTI YAACOB (950311065696)

Hereby, declare that:

- This work has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.
- This project-paper is the result of my independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: NURUL JANNAH BINTI ARIFIN (950525105972) and

NURUL ATIKAH BINTI YAACOB
(950311065696)

Date: _____

LETTER OF TRANSMITTAL

DECEMBER 2018

Assoc. Prof.Madya.Dr Halimaton Binti Borhan
Faculty of Business Management
Kampus Bandaraya Melaka
Universiti Teknologi MARA Melaka
110 Off Jalan Hang Tuah
75300 Melaka Bandaraya Bersejarah.

Dear Prof,

SUBMISSION OF FINAL PROJECT PAPER

Attached is the project paper titled **“The Determinants of Bond Yield in Malaysia”** to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Thank you.

Yours sincerely

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Nurul Jannah Binti Arifin

(950525105972)

Bachelor of Business Administration (Hons) Finance

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(950311065696)

ABSTRACT

Since gaining independence in 1957, Malaysia has successfully diversified its economy from one that was initially agriculture and commodity-based, to one that now plays host to robust manufacturing and services sectors that have propelled it to become a leading exporter of electrical appliances, electronic parts and components. Malaysia is one of the most open economies in the world, with a trade to GDP ratio averaging over 140 percent since 2010. Openness to trade and investment have been instrumental in employment creation and income growth, with about 40 percent of jobs in Malaysia linked to export activities.

Malaysia's near-term economic outlook remains favorable, reflecting a well-diversified and open economy that has successfully weathered the impact of external shocks. This is bolstered by strong macroeconomic management, with low and stable inflation and on-track fiscal consolidation. Domestic demand is expected to continue to anchor economic growth, supported by continued income growth and a stable labor market, while an improving external environment would contribute positively to demand for Malaysia's tradable goods and services. Multiple linear regressions model is applied to study the relationship between explanatory variables (coupon rate, liquidity risk, inflation, exchange rate, and interest rate) and explained variable (bond yield in Malaysia).

Empirical results show that as from the equation, it is found that independent variable for Coupon rate (CR) has significant relationship with bond yield in Malaysia (BM). Next is the independent variable of liquidity risk (LQ) where it shows an insignificant relationship with bond yield in Malaysia (BM) Apart from that, inflation (IF) also one of the independent variables which shows an insignificant relationship with bond yield in Malaysia (BM). Other independent variable is exchange rate (EX) and interest rate (R) shows the result of insignificant